

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**  
**April 14, 2009**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-13443**

**In the Matter of**

**GLB TRADING, INC. and**  
**ROBERT A. LECHMAN,**

**Respondents.**

**ORDER INSTITUTING ADMINISTRATIVE**  
**AND CEASE-AND-DESIST PROCEEDINGS**  
**PURSUANT TO SECTIONS 15(b) AND 21C**  
**OF THE SECURITIES EXCHANGE ACT OF**  
**1934**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against GLB Trading, Inc. and Robert A. Lechman (“Respondents”).

**II.**

After an investigation, the Division of Enforcement alleges that:

**A.     RESPONDENTS**

1.       GLB Trading, Inc. (“GLB Trading”) has been registered with the Commission as a broker-dealer (File No. 008-65790) since 2003. GLB Trading was headquartered in Irvine, California until December 2008, when the firm moved to Chicago, Illinois.

2.       Robert A. Lechman (“Lechman”) founded GLB Trading and was its president, CEO, chief compliance officer, and branch manager of the firm’s Irvine, California office from December 2002 until his retirement in December 2008. Lechman continues to own GLB Trading through his family trust. Lechman, 58 years old, is a resident of Carlsbad, California.

## B. OTHER RELEVANT ENTITIES AND PERSONS

1. Tuco Trading, LLC (“Tuco”) was a Nevada limited liability company that provided day-trading capabilities to its customers. It was not registered with the Commission in any capacity. In March 2008, Tuco by consent was permanently enjoined from future antifraud and broker-dealer registration violations and ordered to pay disgorgement with prejudgment interest and a civil penalty in amounts to be determined. SEC v. Tuco Trading, LLC, et al., Civil Case No. CV-08-400-DMS (S.D. Cal.) (Mar. 17, 2008). Tuco maintained three accounts at GLB Trading.

2. Douglas G. Frederick (“Frederick”) formed Tuco in August 2006 and was its sole managing member. On March 18, 2008, Frederick by consent was permanently enjoined from future antifraud and broker-dealer registration violations and ordered to pay disgorgement with prejudgment interest and a civil penalty in amounts to be determined. SEC v. Tuco Trading, LLC, et al., Civil Case No. CV-08-400-DMS (S.D. Cal.) (Mar. 17, 2008). Frederick was barred in a follow-on administrative proceeding from future association with any broker or dealer. In re Frederick, Rel. No. 34-58751 (Oct. 8, 2008). Frederick, age 38, resides in San Diego, California.

## C. FACTS

1. In early 2006, Frederick approached GLB Trading seeking to obtain better clearing rates for a day-trading firm, the “predecessor firm” to Tuco, that he ran at another broker-dealer. Lechman knew of the predecessor firm and that it engaged in day-trading. Lechman encouraged Frederick to join GLB Trading as a broker and offered to let Frederick operate his day-trading firm from GLB Trading’s offices rent-free. In April 2006, Frederick became a registered representative of GLB Trading and opened an account in the name of Tuco’s predecessor to continue his day-trading firm activities.

2. Also in July 2006, Frederick completed three outside activity forms that Frederick, as a registered representative, was required to submit to GLB Trading and FINRA. In those forms, Frederick disclosed, among other things, that: (1) he headed the predecessor firm and that it engaged in the business of “trading” that “traders trade in;” (2) he spent thirty hours per week working for that firm; (3) the firm had been operating since January 2006; (4) the firm facilitated clearing and provided trading software for its traders; (5) he received commissions from the traders as compensation; and (6) in August 2006, the firm would change its name to Tuco. Lechman read and reviewed each of Frederick’s outside activity forms at or near the time they were created, and was familiar with Frederick’s statements contained therein. In addition, GLB Trading provided clearance to Frederick to engage in those outside business activities.

3. In August 2006, Frederick opened three “master” accounts in Tuco’s name at GLB Trading and was the registered representative for each account. Customers of the predecessor firm then became customers of Tuco.

4. Tuco described itself on its website as a “private equity trading firm” that provided “trading solutions for the active trader.” To trade through Tuco, a customer had to contribute funds to Tuco and sign an operating agreement, which, among other things, deemed the customer to be a member of Tuco. Tuco pooled customer funds into the “master accounts” and used its own back office system to create “sub-accounts” within the master accounts for each customer to day-trade securities. Tuco provided customers access to software to place and route securities trades.

5. By February 2008, Tuco was providing day-trading capabilities to 259 customers who conducted substantial amounts of trading, including those of public companies. Frederick controlled Tuco and determined how much of Tuco’s equity, or buying power, each customer could use to trade. Tuco charged its customers commissions on their securities trades and deducted the commission for each trade from the customer’s sub-account. The commissions were collected at GLB Trading’s clearing firm. The clearing firm and GLB Trading then subtracted certain expenses from the commissions. GLB Trading received from Frederick a monthly fee of \$15,000. Respondents received about \$210,000 in fees from Tuco’s broker-dealer activities. GLB Trading paid the net commission amount to Frederick.

6. From 2006 to March 2008, Respondents knowingly and actively participated in and facilitated Tuco’s broker-dealer activities. Respondents allowed Tuco to trade through GLB Trading. Respondents also helped Tuco solicit new customers in person and by preparing advertisements with Frederick seeking new customers for Tuco. Additionally, Respondents created a structure by which GLB Trading and Frederick would operate Tuco. Furthermore, Lechman loaned Tuco funds to meet day-trading calls in Tuco’s master accounts sixteen times. The loan amounts ranged from \$100,000 to \$780,000, and Lechman charged interest each time for a total of \$6,507.

7. GLB Trading and Lechman helped Tuco solicit new customers by arranging for spam e-mails to promote Tuco, posting ads on day-trading websites, and making “pitches” to potential new customers. In August 2006, just two weeks after Frederick opened the master accounts, Lechman suggested that Tuco send a spam e-mail ad to solicit new customers. He also reviewed the ad.

8. In September 2006, Lechman suggested that another spam e-mail be sent for “GLB/Tuco,” which Lechman again reviewed. The ad, without identifying GLB Trading or Tuco, stated that they were looking for new traders, that the positions were not salaried, that traders would have to make an initial contribution to their account, and that the firm offered top flight software at competitive rates. The ads closely tracked the statements on Tuco’s website and described many features offered by Tuco but not GLB Trading. Lechman sent the responses GLB Trading received to Frederick, but if Frederick was unavailable, Lechman would solicit the potential new Tuco customers himself.

9. On or about September 27, 2006, Lechman informed Frederick about the solicitation efforts and predicted that, in 2007, Tuco would be bigger than another established day-trading firm.

10. Lechman created a structure and allocation of responsibilities by which GLB Trading and Frederick would operate Tuco. On or about October 1, 2006, Lechman informed Frederick of a proposal for Tuco's organizational structure, stating that he no longer wanted to "pitch" potential new Tuco customers. He proposed that going forward Frederick would take charge of all of Tuco's sales, marketing, and advertising and set the commission rates for Tuco's customers. Lechman offered to handle the accounting and issues with GLB Trading's clearing broker. He further stated that GLB Trading's operations principal would handle credit and margin issues. Frederick replied that he looked forward to discussing Lechman's proposal further. Subsequently, Tuco's operations followed Lechman's model.

11. Lechman loaned Tuco funds to meet day-trading calls in Tuco's master accounts sixteen times. The loan amounts ranged from \$100,000 to \$780,000, and Lechman charged interest each time for a total of about \$6,507. Lechman loaned the funds through a limited liability company he controlled, which was also a Tuco customer. Lechman's loans to Tuco violated NASD Conduct Rule 2370, which prohibits associated persons, such as Lechman, from setting up borrowing or lending arrangements with a customer.

D. VIOLATIONS

As a result of the conduct described above, Respondents willfully aided and abetted and caused Tuco's violations of Section 15(a) of the Exchange Act, which requires brokers and dealers who effect securities transactions through interstate commerce to be registered with the Commission.

**III.**

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative and cease-and-desist proceedings be instituted to determine:

A. Whether the allegations set forth in Section II are true and, in connection therewith, to afford Respondents an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Respondents pursuant to Section 15(b) of the Exchange Act including, but not limited to, disgorgement and civil penalties pursuant to Section 21B of the Exchange Act;

C. Whether, pursuant to Section 21C of the Exchange Act, Respondents should be ordered to cease and desist from committing or causing violations of and any future violations of Section 15(a) of the Exchange Act and whether Respondents should be ordered to pay disgorgement pursuant to Section 21C(e) of the Exchange Act.

#### IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened not earlier than 30 days and not later than 60 days from service of this Order at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondents shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondents fail to file the directed answer, or fail to appear at a hearing after being duly notified, the Respondents may be deemed in default and the proceedings may be determined against them upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Elizabeth M. Murphy  
Secretary